

Multiple Agency Fiscal Note Summary

Bill Number: 1337 E HB	Title: Accessory dwelling units
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Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Commerce	.6	187,805	187,805	187,805	.4	101,882	101,882	101,882	.4	101,882	101,882	101,882
Total \$	0.6	187,805	187,805	187,805	0.4	101,882	101,882	101,882	0.4	101,882	101,882	101,882

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other			1,678,000			2,497,000			807,000
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Local Gov. Total			1,678,000			2,497,000			807,000

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Gwen Stamey, OFM

Phone:
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Date Published:
Final 3/14/2023

Individual State Agency Fiscal Note

Bill Number: 1337 E HB	Title: Accessory dwelling units	Agency: 103-Department of Commerce
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.6	0.6	0.6	0.4	0.4
Account					
General Fund-State 001-1	92,642	95,163	187,805	101,882	101,882
Total \$	92,642	95,163	187,805	101,882	101,882

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Maggie Douglas	Phone: 3607867279	Date: 03/07/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 03/13/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 03/13/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/14/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Differences between EHB 1337 and HB 1337:

The prior version of HB 1337 had no fiscal impact on the Department of Commerce (department), however EHB 1337 has added Section 9, requiring the department to update its accessory dwelling unit (ADU) recommendations and guidance, and review periodic comprehensive plans and regulations for compliance.

- Section 3 includes revisions to the deadlines for counties and cities to take action to adopt the new accessory dwelling unit requirements, and it establishes these provisions in the bill will supersede and local regulations if the jurisdiction fails to adopt.
- Section 5 adds a new section to chapter 36.70A RCW, allowing counties and cities to waive or defer fees, including impact fees, to encourage the use of accessory dwelling units.
- Section 9 adds a new section requiring the department, by December 31, 2023, to revise its recommendations for encouraging accessory dwelling units and review local comprehensive plans and regulations for compliance with the provisions of this act. The remaining sections of this act are renumbered accordingly.

Summary of EHB 1337:

Section 3 adds a new section to RCW 36.70A (Growth Management Act) requiring counties and cities to adopt new local regulations for accessory dwelling units. This section outlines those new requirements and timelines in detail. These new requirements take effect six months are the jurisdiction's next periodic comprehensive planning update deadline required under RCW 36.70A.130. The requirements of Sections 3 and 4 will supersede and precede and conflicting local regulations if the city fails to adopt these new regulations required under Section 3.

Section 4 adds a new section to RCW 36.70A requiring counties and cities to comply with at least three new policies related to accessory dwelling units. This section outlines those requirements in detail.

Section 5 adds a new section to RCW 36.70A allowing counties and cities to waive or defer fees, including impact fees, to encourage the use of accessory dwelling units. The section further outlines the criteria for these fee waivers in detail.

Section 6 adds a new section to RCW 36.70A prohibiting restrictive covenants or deed restrictions applicable to accessory dwelling units in certain urban growth area property.

Section 9 adds a new section to RCW 36.70A requiring the department, by December 31, 2023, to revise its recommendations for encouraging accessory dwelling units to include the provisions in Section 3 and 4. In addition, during the periodic comprehensive plan review period under RCW 36.70A.130, the department must review each local government comprehensive plan and development regulations, for compliance with Sections 3 and 4, and the department's recommendations.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Agency Assumptions:

- The department assumes in FY24-FY25, 0.5 FTE Commerce Specialist 3 is required to coordinate the updated accessory dwelling unit guidance work and outreach training for counties and cities undertaking their current periodic review under RCW 36.70A.130. This will include immediate guidance and recommendations developed by the department by December 31, 2023, including coordination of rulemaking and outreach training.
- The department assumes specific legal review for its ADU recommendations and guidance updates will be needed by the Assistant Attorney General (AAG), particularly considering the compliance review requirements in Section 9.
- Section 9 requires review for county and city compliance with Sections 3 and 4, but the bill does not describe or authorize further action by the department to track data or manage findings of noncompliance. For purposes of this fiscal note, the department assumes it will conduct the review and comment with local jurisdictions from FY24 to FY27, providing comment to local jurisdictions found noncompliance, as needed, and as part of its existing technical assistance work when reviewing submitted periodic updates to comprehensive plans and development regulations under chapter 36.70A RCW.

0.5 FTE Commerce Specialist 3 (1,099 hours) in FY24-25 each year, and 0.3 FTE Commerce Specialist 3 (626 hours) in FY26-FY29, for coordination of the accessory dwelling unit technical assistance updates, including updated recommendations and guidance through rulemaking, implementation of a consistent process for compliance review, and outreach and training to local jurisdictions and ongoing support for this guidance during the periodic review period required under RCW 36.70A.130.

Salary & Benefits:

FY24: \$55,528
FY25: \$57,423
FY26-FY29: \$34,454 per fiscal year

Goods & Services:

Attorney General costs: \$5,000 in FY24-FY25, each year, for 23.8 hours at \$210 per hour each fiscal year, for legal review of draft guidelines adopted by rule for the new Section 4 guidance through rulemaking.

FY24: \$13,585
FY25: \$13,588
FY26-FY29: \$5,152 per fiscal year

Travel:

Travel includes stakeholder outreach to local governments.

FY24-FY25: \$5,260 per fiscal year

Intra-agency Reimbursements:

FY24: \$18,269
FY25: \$18,892
FY26-FY29: \$11,335 per fiscal year

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Intra-agency-administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

Total Costs:

FY24: \$92,642

FY25: \$95,163

FY26-FY29: \$50,941 per fiscal year

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	92,642	95,163	187,805	101,882	101,882
Total \$			92,642	95,163	187,805	101,882	101,882

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.6	0.6	0.6	0.4	0.4
A-Salaries and Wages	41,028	42,259	83,287	50,710	50,710
B-Employee Benefits	14,500	15,164	29,664	18,198	18,198
C-Professional Service Contracts					
E-Goods and Other Services	13,585	13,588	27,173	10,304	10,304
G-Travel	5,260	5,260	10,520		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	18,269	18,892	37,161	22,670	22,670
9-					
Total \$	92,642	95,163	187,805	101,882	101,882

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Services - Indirect	111,168	0.1	0.1	0.1	0.1	0.1
Commerce Specialist 3	82,056	0.5	0.5	0.5	0.3	0.3
Total FTEs		0.6	0.6	0.6	0.4	0.4

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

The department will need to update its guidance under chapter 365-196 WAC to implement the new requirements under Sections 3-4 and 9 of the bill.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1337 E HB

Title: Accessory dwelling units

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: Cities would be required to adopt development and zoning regulations related to accessory dwelling units in urban growth areas into their municipal code.
- Counties: Same as above.
- Special Districts:
- Specific jurisdictions only: Applies to counties, and cities within those counties that fully plan under the Growth Management Act.
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Ordinance adoption and accompanying analysis.
- Legislation provides local option: Adopting impact fee reductions as part of the accessory dwelling unit ordinances.
- Key variables cannot be estimated with certainty at this time: Number of cities and counties that would not meet the implementation deadlines.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City		1,558,000	1,558,000	1,957,000	627,000
County		120,000	120,000	540,000	180,000
TOTAL \$		1,678,000	1,678,000	2,497,000	807,000
GRAND TOTAL \$					4,982,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 03/09/2023
Leg. Committee Contact: Maggie Douglas	Phone: 3607867279	Date: 03/07/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/09/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/10/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This fiscal note reflects language in E HB 1337, 2023 Legislative Session.

CHANGES FROM PRIOR VERSION OF BILL:

Sec. 3 is amended in the engrossed bill to modify the implementation timeline of the mandatory ordinance for cities and counties that plan under the Growth Management Act (GMA). These cities and counties would be required to adopt the ordinance specified in Sec. 3 and 4 within six months of the submission deadline of the jurisdiction's next comprehensive plan, as specified by RCW 36.70A.130(5).

Sec. 5 is a new section in this legislation that would allow cities and counties to offer incentives for the development or construction of ADUs within urban growth areas if the jurisdiction has established a local program with binding commitments or covenants used to support long-term housing.

SUMMARY OF CURRENT BILL:

Within six months of the submission deadline of a fully planning jurisdiction's next comprehensive plan as specified by RCW 36.70A.130(5), cities and counties would be required to adopt or amend development regulations, zoning regulations, or other official controls to authorize accessory dwelling unit (ADUs) within urban growth areas. The bill would prohibit certain ADU regulations with urban growth areas. Additional, this engrossed bill would allow cities and counties to offer incentives for the development or construction of ADUs within urban growth areas if the jurisdiction has established a local program with binding commitments or covenants used to support long-term housing.

Sec. 3 would be a new section added 36.70A RCW

Cities and counties planning under the GMA would be required to adopt or amend development regulations, zoning regulations, or other official controls of Sec. 3 and Sec. 4 of this act for ADUs into their local code six months after then submission deadline of their comprehensive plan. For jurisdictions that do not adopt or amend local code by this deadline, development regulations of Sec. 3 and

Sec. 4 of this act would supersede, preempt, and invalidate any conflicting development regulation. The ADU provisions of this act only apply to a jurisdiction's urban growth area. For a county for purposes of complying with the Growth Management Act, ADUs would not contribute to the overall underlying density requirements.

Sec. 3 and Sec. 4 do not prohibit a local government from:

- (a) Restricting ADUs for short term rentals.
- (b) Applying health, safety, building code, and environmental permitting requirements that would be applicable to principal unit.
- (c) Applying generally applicable development regulations in the construction of an ADU, except if contrary to Sec. 3 and Sec. 4 of this act.
- (d) Prohibiting ADU construction on lots which are not connected or served by public sewers.
- (e) Prohibiting ADU construction on residential lots allowing density less than one unit per acre or in wetlands, wildlife habitats, flood plains, or geologically hazardous areas.

Sec. 4 would be a new section added to 36.70A RCW

(1) When adopting or amending local code, cities and counties must also comply with a minimum of three of following ADU policies:

- (a) May not establish a requirement for provision of off-street parking for ADUs.
- (b) May not impose impact fees greater than 50 percent of those that would apply to the principal unit.
- (c) May not require the owner of the lot with the ADU to reside in or occupy the ADU.
- (d) Must allow for at least two ADUs on all lots in residential districts that allow for single-family residences.

- (2) When adopting or amending local code, cities and counties would be required to:
- (a) Must allow detached ADUs from the principal unit.
 - (b) Must allow an ADU construction on any lot that meets the minimum size required for the principal unit.
 - (c) May not establish a maximum gross floor area requirement for an ADU that is less than 1,000 square feet.
 - (d) May not establish a roof height limits of an ADU that is less than 24 feet, unless the roof height limitation that applies to the principal unit is less than 24 feet. Then the limit placed on the principal unit applies to the ADU.
 - (e) May not impose design review standards on the ADU that are more restrictive than the principal unit.
 - (f) Must allow ADUs to be sited to the lot line if the lot line abuts to a public alley, unless a local government routinely provides snow plowing services to such a public alley.
 - (g) Must allow ADUs to be converted from existing structures, even if they violate current code for setbacks or lot coverage.
 - (h) May not prohibit the sale or conveyance of a condominium unit that was originally built as an ADU.
 - (i) May not require public street improvements as a condition of permitting an ADU.

Sec. 5 is a new section that would allow cities and counties to adopt ordinances, development regulations, and other official controls that waive or defer fees, under certain conditions.

Sec. 7 would amend 43.21C.495 RCW

Provides a State Environmental Policy Act safe harbor provision for actions taken by cities and counties to adopt ordinances specified by Sec. 3 and Sec. 4 of this act within an urban growth area.

Sec. 8 would amend 36.70A.280 RCW

Provides that city and county actions to implement the ordinances in Sec. 3 and Sec. 4 are exempt from petitions alleging noncompliance to the Growth Management Hearings Board.

The bill takes effect 90 days after adjournment of the session in which the bill is passed.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

CHANGES IN EXPENDITURE IMPACT FROM PRIOR VERSION OF BILL:

Sec. 3: cities and counties would be required to adopt the ordinance specified in Sec. 3 and 4 within six months of the submission deadline of the jurisdiction's next comprehensive plan, as specified by RCW 36.70A.130(5). This amendment would prolong the implementation timeline of required accessory dwelling unit ordinance.

Sec. 5 is a new section in this legislation that would allow cities and counties to offer incentives for the development or construction of ADUs within urban growth areas if the jurisdiction has established a local program with binding commitments or covenants used to support long-term housing. Fully planning local governments could establish this provision into their long-term housing programs as a local option.

EXPENDITURE IMPACT OF CURRENT BILL:

This engrossed legislation would result in determinate and indeterminate expenditures for cities and counties that plan under the Growth Management Act (GMA). For expenses that can be estimated at this time, this bill may have costs exceeding \$4.9 million from FY25 to FY28 to prepare and implement the ordinances detailed in Sec. 3 and Sec. 4 (see calculations below). There would be an unknown number of cities and counties that this bill applies to, which would not implement the provisions in this bill by the deadline specified by Sec. 3(1).

This bill would require cities and counties fully planning under the GMA to adopt new development regulations for accessory dwelling units (ADUs) within urban growth areas into their municipal code six months after the next submission deadline of their comprehensive plan. There are 218 cities and 28 counties that this legislation would apply that have incorporated and unincorporated urban growth areas. For each city that is required to adopt new ADU development regulations, the costs would begin at \$19,000 per city, and the average costs for each county would start at \$30,000. The

impact fee reduction would be a local option for these cities and counties, per Sec. 4(1)(b).

If a jurisdiction were unable to update their code by deadline specified by Sec. 3(1) and their code were superseded by state statute, there would be increased workload for local government staff to parse their code to be careful differentiate which portions were still enforceable and which were superseded. This would cause an indeterminate increase in the staff time needed to administer their code, and would vary by jurisdiction. It is also unclear which three of the four development regulations detailed in Sec. 4(1) would apply to cities and counties that did not implement the ADU ordinance and development regulations by the deadline.

Cities and counties could offer incentives for the development or construction of ADUs within urban growth areas if the jurisdiction has established a local program with binding commitments or covenants used to support long-term housing. Fully planning local governments could establish this provision into their long-term housing programs through ordinance as a local option. There would be no costs for cities and counties that took no action related to Sec. 5 of this act.

LOCAL GOVERNMENT FISCAL NOTE PROGRAM ASSUMPTIONS:

The Association of Washington Cities (AWC) indicated in S HB 1660 (2022) which required fewer provisions for ADU implementation into a city's local code than this bill, there would be costs to update such code to comply with the requirements of the bill, perform State Environmental Policy Act (SEPA) analysis for the environmental impact of these code changes, and conduct studies for reducing the impact fees associated with expanded development options of ADUs. The ordinance adoption and SEPA review costs were approximate \$13,000 and \$6,000 per impacted city, respectively.

The Washington State Association of Counties indicated that the required changes to development regulations related to ADU development in this bill could be similar to those found in S HB 1298 (2021) adjusted for inflation, and start at \$25,000 to \$35,000 (average \$30,000 $(\$25,000 + \$35,000) / 2$).

COSTS TO UPDATE LOCAL CODE:

\$4,982,000 – Starting costs to update municipal code would be \$19,000 per city and \$30,000 per county. For expenses that can be estimated at this time, there would be \$4.8 million in ordinance costs to incorporate new ADU provisions in Sec. 3 and Sec. 4 into local municipal code.

This work would include a planner drafting the code amendments. Those amendments would be vetted with the planning team. The vetted amendments would be reviewed by the planning manager and the planning director. A planner would then write a minimum of four staff reports. The planning manager, planning director and attorney would review all four staff reports. The two staff reports prepared for the council would also be reviewed by the city manager and assistant city manager. The planning commission clerk would prepare advertisements, post comment letters to the web, prepare meeting packets for two meetings and setup for/attend two meetings. They would also review and publish two sets of minutes following these meetings. The clerk would do the same for at a minimum two council meetings. It would take four public meetings (one of the meetings would be the public hearing) to update the code. Two planning commission meetings and two council meetings (at a required minimum). All meetings would be staffed with a clerk, attorney, planner and planning director at a minimum for this item.

\$19,000 x 218 cities = \$4,123,000

\$30,000 x 28 counties = \$840,000

Total: \$4,123,000 + \$840,000 = \$4,982,000

The timing of these expenses would be six months after the jurisdiction's next scheduled comprehensive plan is due to the Department of Commerce. The first cohort of jurisdictions would have the ADU ordinance and amended development

regulations due June 30, 2025, while the remaining cohorts would have them due by December 31 in 2026 through 2028.

Counties

FY25: \$120,000
FY26: \$300,000
FY27: \$240,000
FY28: \$180,000
Total: \$840,000

Cities

FY25: \$1,558,000
FY26: \$912,000
FY27: \$1,045,000
FY28: \$627,000
Total: \$4,142,000

Combined

FY25: \$1,678,000
FY26: \$1,212,000
FY27: \$1,285,000
FY28: \$807,000
Total: \$4,982,000

Legal Challenges for Jurisdictions:

It is currently unknown if all cities and counties that would be required to adopt new ADU development and zoning requirements into their municipal code would do so by the applicable deadline. In these jurisdictions, the provisions of Sec. 3 and Sec. 4 would automatically apply and take effect. It is unclear if these jurisdictions would incur any legal costs based upon codes that do not conform to the required code measures. Such costs cannot be anticipated in advance and are indeterminate.

Local Option for Cities and Counties Choosing the Impact Fee Reduction:

Local Option - Impact fee studies due to reduced fees would have costs that approximate to \$7,000 - \$10,000 per jurisdiction, per impact fee.

There would be at least three impact fees (transportation, parks, and fire services) that would be impacted through the provisions of Sec. 4(1)(b) should a city or county choose to incorporate this provision into local ADU development and zoning regulation amendments. \$21,000 - \$30,000 (average: \$25,500 $((\$30,000 + \$21,000) / 2)$). The number of jurisdictions that would implement the impact fee reduction is currently unknown.

IMPACT OF SECTION 5

Local Option - Cities and counties could offer incentives for the development or construction of ADUs within urban growth areas if the jurisdiction has established a local program with binding commitments or covenants used to support long-term housing. Fully planning local governments could establish this provision into their long-term housing programs as a local option. There would be no costs for cities and counties that took no action related to Sec. 5 of this act.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

CHANGES IN REVENUE IMPACT FROM PRIOR VERSION OF BILL:

The amendments to this engrossed bill do not change the local government revenue impact of the prior bill.

REVENUE IMPACT OF CURRENT BILL:

This engrossed legislation is not anticipated to impact local government revenue.

If local governments took the local option to reduce impact fees for accessory dwelling units (ADUs) in Sec. 4(1) or implement an ADU construction or development incentive program in Sec. 5, there would be an indeterminate revenue impacts for these local governments. There would be no revenue impact for local governments that took no action related to these provisions.

IMPLEMENTING ADU INCENTIVES IN LOCAL DEVELOPMENT REGULATIONS:

Local Option - This legislation would result in indeterminate impacts to local government revenue related to provisions authorizing local governments to develop mechanisms to waive, defer or reduce fees in order to incentivize the construction of ADUs. However, jurisdictions are not required to adopt these regulations, as it presents a local option. In jurisdictions expanding the capacity for ADU development, the number of permit applications and resulting fees may increase, but revenues may decrease overall depending upon how much the jurisdiction lowers the price of permit fees. If jurisdictions choose to not adopt regulations to lower permit fees, their revenues would have an indeterminate increase in revenue. The impact will vary by jurisdiction, the fee rates of those jurisdictions and the net increase in ADU development. The magnitude of increase in ADU construction resulting from implementation of these provisions is not known. The impact on local government revenue is therefore indeterminate. In addition, because this legislation may result in an increase in ADU development, this analysis incorporates assumptions regarding permit and development fee revenue. The magnitude of increase in ADU construction resulting from implementation of these provisions is not known. The impact on local government revenue is indeterminate.

Jurisdictions may experience an increase or decrease in permit revenues from new ADU construction, depending on if and to what extent fees are reduced in order to incentivize construction. In addition, jurisdictions may experience an indeterminate increase in revenue from connection fees and utility capacity charges associated with new ADU development. Jurisdictions that have enacted impact fees may incur a reduction of impact fee revenue if their current rate exceed 50 percent of that charged for a single-family unit unless they see a doubling of ADU development. The number of jurisdictions where these impacts would occur is not known. The magnitude of change in impact fee revenue these locations is also not known.

SOURCES:

Association of Washington Cities

Local Government Fiscal Note Program, FN S HB 1298 (2021)

Local Government Fiscal Note Program, FN S HB 1660 (2022)

Local Government Fiscal Note Program, FN SB 5235 (2023)

Local Government Fiscal Note Program, Unit Cost Model (2023)

Municipal Research and Services Center, Accessory Dwelling Units

Municipal Research and Services Center, Municipal Ordinances

Office of Financial Management, Small Area Estimates Program, Urban Growth Areas (2023)

Washington State Association of Counties